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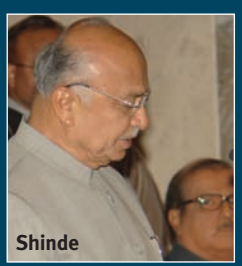
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Go back to first principles

Responsibility is on the Prime Minister to change the *status quo* into dynamic governance

by MG DEVASAHAYAM

EGGED on by screaming media anchors, exit poll*wallahs* and armchair analysts, the doomsayers had forecast a floundering UPA in no position to form the government without the support of the Fourth Front and perchance even the Left. This, they predicted, would be the unfortunate outcome of this general election!

Belying the pessimists, the *aam aadmi* – always the bulwark of India's democracy – has given the UPA a substantial mandate. As to how it came about, the irrepressible Shobhaa De has a theory: "This has been a *daal-chawal* election – in that the voter opted for comfort food, when the offer was for an exotic eight course menu... or, if one were to look at it more crudely, an unappetizing *khichdi*. There couldn't have been a more emphatic 'No' to the sort of bogus change that was being peddled. It was a straight-forward vote for maintaining the *status quo*."

The onus is now on the Prime Minister to change the "*status quo*" into dynamic governance. Considering the constraints under which he worked during his last tenure, the *aam aadmi* has given him another chance. Though he and his government swore upon the *aam aadmi* in their last *avatar*, they have been left in the lurch if the World Bank is to be believed.

In 2004, the patch-work UPA government headed by Manmohan Singh came out with an "*aam aadmi* agenda" which turned out to be non-performing. The past five years saw the actual thrust on GDP-obsessed, SEZ-centred and FDI/FII-led growth through unregulated instruments like Participatory Notes and rogue hedge funds. The aim was to prop up the real estate and stock markets and generate upbeat economic data that do not reflect the true picture of the country. Governance focus was almost

The *aam aadmi* has become more miserable. Yet, they have given the UPA an un-fractured mandate. That is the greatness of this 'bent, dried-up, stick' of men and women who carry the burden of India's democracy

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From the Editor-in-Chief

THE faces you see on the cover will be giving guidance, instructions and direction to India's Steel Frame – the bureaucracy – on where to take the nation over the next five years. And it is every citizen's fervent hope that the onerous task of governance that lies ahead will be accomplished with First Principles as the beacon: accountability, fairness, justice, and equity.

These attributes are dinned into the heads of civil servants by academy instructors and guest lecturers when they are in training, as well as caring mentors when they enter the rough and tumble world of district administrations or the secretariats in Delhi and state capitals. And as they come face to face with the stark reality of electoral politics some of them stumble, others sit on the fence, while most of them go along to get along. A few emerge as whistleblowers and face the wrath of official retaliation for having dared to expose waste, fraud and corruption.

Small wonder then, that civil servants begin to wonder about the dictum that they are the servants of the people of this country on whose general will rests the sovereignty of the state, rather than of their political bosses. Actually, this dilemma is rooted in the country's Constitution in which the lines between the executive and legislative branches of government are blurred. Ministers are executives (because they head and administer their departments) as well as legislators who answer, ultimately, not to any independent scrutiny but rather to themselves!

The situation for civil servants worsens when they have to listen to conflicting diktats from coalition government partners and rump groups in a power-sharing arrangement when there is no clear party majority at the Centre. This time, after India's first Premier, Jawaharlal Nehru, a Prime Minister has won a successive second term with a comfortable margin and looks set to last for the next five years.

This stability should breed more confidence in the Prime Minister's team. It should feel secure enough not to interfere with civil servants carrying out the executive mandate. In this issue our analysts have focused on several critical areas that need to be tackled with steely resolve by the Prime Minister and his Council of Ministers: restoring the fundamentals of good governance; adjusting to new global challenges to national security; reforms in the rural sector; regulatory imperatives in finance and banking; sorely needed reorganization, and restructuring the administration of the armed service.

The new government does not lack finances or resources or talent. But it must demonstrate – in keeping with its national mandate for change and good governance – an iron will to deliver without fear or favour.

INDERJIT BADHWAR

LETTERS: I am glad Vice-President Hamid Ansari ("Tough talk from the VEEP", May 2009) raised the issue of social development and need to prioritize the sector as compared to finance and the like. It is essential that governments encourage bright officers to work in the social sector. It is equally important to bank the expertise gained and try and utilize it far beyond the tenure/assignment of the officer. Sectors such as health, rural development and education require a longer gestation period for gaining

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expertise and governments will need to devise some mechanism to use the experience gained.
V Prasad, via email

It is all very well but the crux of the issue is how to decide what is within the normal call of duty and what is exceptional or out of the ordinary? There is every chance that people will get to be rewarded and awarded for doing even things which they would in any case be doing.
Anil Mathur, on blog

Since *gfiles* concerns itself with issues of governance, it may consider incorporating points of view outside the government as well. I am aware of a number of NGOs who are working in this field. Prabhat Kumar's ICCFG is just one of them. They represent a view from the outside, as it were. You may eventually be able to build a dialogue or discourse between those inside the "glass house" and those standing outside. That should make it an extremely fruitful exercise.
Mohan K Tikku, National Media Centre, Gurgaon

Congratulations, Inderjit. I can remember your stellar work for the *Federal Times* newspaper, which covers the civil service here in the United States; imagine how pleased Tom Scanlan, the editor back then, would be to see parts of the *FT* tradition carried on by way of an Indian magazine. My best wishes to you and *gfiles*.
David Rothman, Editor-Publisher, TeleRead.org (devoted to e-books), via email on blog

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Continued from page 2

entirely on this millionaire-billionaire segment and their celebration through the "super-power" hype!

The most damning indictment of the UPA government and its "growth story" comes from the World Bank's observation that "India is just ahead of Sub-Saharan Africa". In a report titled "Global Economic Prospects for 2009", the Bank has predicted that a quarter of India's population will be living on $1.25 a day – considered a state of extreme poverty – in 2015. Two years ago, a report by the National Commission for Enterprises in the Unorganized Sector had created a storm when it pointed out that 77 per cent of Indians lived on less than Rs 20 a day.

The only crumbs thrown at the poor were the 100-day job-card under NREGS and promotion of Self-Help Groups to encourage women towards micro-credit driven entrepreneurship. NREGS has largely contributed to slumber and sloth among the landless

labour. Poverty remained as it was, in fact worsened – as seen from the World Bank indictment. What is worse, these two schemes have become convenient conduits for ruling parties to funnel huge public and private funds to purchase votes from the gullible rural folk!

In absolute terms, poverty has worsened and the life of the *aam aadmi* has

Four Golden Rules

THE key words are responsible governance and restoration of moral elements. This is the expectation the Prime Minister has aroused. The road map would be simple and fundamental:

1. Restructuring of governance system
Jawaharlal Nehru had called for a Constitution "wherein all power and authority of the Sovereign Independent India, its constituent parts and organs of government, are derived from the people". This reflected Mahatma Gandhi's description of *swaraj* as merely a "courteous ratification of the declared wish of the people of India". These Founding Fathers envisaged people-based governance with a bottom-up process that would give everyone "a place in the sun". Urgent steps should be taken to reform and restructure the governance system in accordance with the spirit of India's Constitution.

2. Zero tolerance for corruption
In the 1970s, Jayaprakash Narayan, hailed as the second Mahatma, said: "As I diagnose the root cause of the country's critical state of health, I identify it unhesitatingly as corruption and precipitous fall in the moral standards of our politics and public life." Political, bureaucratic and business corruption is far worse now and, like the dreaded disease of AIDS, sucks and destroys the basic value system on which a society is

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Team Manmohan after swearing-in: will they meet rising expectations?

become more miserable. Yet, they have given the UPA and Manmohan Singh an un-fractured mandate. That is the greatness of this "bent, dried-up, stick" of men and women who carry the burden of India's democracy.

Elements also conspired to bring Manmohan Singh back to the forefront. In the midst of the "fractured mandate" forecast and mushrooming of a dozen Prime Ministerial aspirants, including one for 2014, Manmohan Singh unobtrusively became the symbol of a dormant collective aspiration for governmental stability, administrative performance, and decency in public life. There was a yearning for and appreciation of a performing government at the Centre – and a clear preference for a proven administrator over the wannabes.

As columnist Harish Khare observes: "If the Congress has bucked anti-incumbency, it is primarily because it had Dr Manmohan Singh reinforcing its reputation as a party of serious and responsible governance. The 2009 mandate has mandated Singh to restore the moral elements in governing processes and practices."

Our Republic is tottering and wavering because the honest, sincere and genuine among her sons and daughters are being increasingly banished from public offices and councils and replaced by sycophants and time-servers looking for safe sinecures. This must change if responsible and moral governance is to be restored.

Pursuing this road map would not have been possible with a fractured mandate. The people have given the Prime Minister a wholesome mandate. He should go ahead and govern! g

founded. It has no cure if allowed to go beyond a certain stage. Morality in governance is possible only if there is zero tolerance for corruption in both word and deed.

3. Rejuvenate urban governance
Half of India will soon live in cities and urban settlements where there has been rapid decay of infrastructure and basic services. The root cause is weak urban governance and institutional mechanisms not capable of efficiently delivering the diverse civic services. While launching JNNURM in December 2005, the Prime Minister said: "Governance reform should be seen as a massive catalyst for change. Cities, unfortunately, with some exceptions, have not been enabled to look inward and build on their inherent capacities, both financial and technical, and instead are still being seen in many states as 'wards' of the state governments. This should and this must change."

4. Put basic governance on top of the agenda. For a nation of 1,100 million people with 70 per cent of the *aam aadmi* living hand to mouth, governance has a very distinct connotation. It is not about facilitating a "billionaire economy" through globalization, with some crumbs trickling down. It is about basic governance – creating and sustaining an ambience and atmosphere for the common man to work and live with equity, safety, security and dignity. At grassroots level, these elements are being trashed at every turn. This should be set right and basic governance placed at the top of the PM's agenda.

Let's move it

It is not sufficient to carry on with the agenda of the pre

by BK Sinha

EVERY five years, the electoral battle is fought and won but the battle to build a dignified and contented India rages on without pause. The biggest challenges every government faces are essentially linked to rural India – to elimination of poverty, creating adequate rural infrastructure for proper growth, generating employment, building a reliable public healthcare system, providing affordable and standard education, ensuring access to land for the rural poor, disseminating technology, creating a hassle-free system of providing agricultural inputs in time, funding capital investment in the agriculture sector, creating a dependable source of water harvesting using watershed technologies, and reconciling the conflicts in rural areas.

National Rural Employment Guarantee Scheme (NREGS)

THE National Rural Employment Guarantee Scheme (NREGS), for all its success, is under a statutory frame which imparts rigidity to it. It needs to be given a flexible structure which will permit local variations to blossom without compromising on its essentials. Being a manual labour-based programme addressed to certain activities, it has obvious limitations. What will happen when all the ponds have been dug and the waterworks excavated? A knowledge component has to be added.

NREGS has to move towards integration with other programme structures. It must develop into a bridge for different programmes. The "100 days' work" principle must be used as a value addition programme by investing in the human environment and generating new human potential. Further, opportunity must be provided for the rural worker to use the 100 days to learn new skills or to upgrade skills, thereby improving their market potential and value.

The evolution of human capital into social capital must be stimulated and sustained through the instrumentality of new democratic rural institutions such as Self Help Groups (SHGs). It must be recognized that the SHG functions in the realm of participatory democracy which is necessary for its sustenance.

A system of increased self-reliance of the worker must be developed due to increased marketability and returns. Returns on labour must be increased even while reducing the burden on the exchequer as more rural workers move out of "needing wage employment" into "needing new markets for their skills". The programme must restore dignity to labour and livelihoods.

Sampoorna Gram Swarnajayanti Yojna (SGSY)

THE essential content of this programme lies in its social mobilization; it helps to create the capacity among the poor to organize themselves. The target-oriented approach must be reformatted to allow people to undertake self-mobilization. The financial ceilings of the programme have to be relaxed and lending must be need-based.

Our present form of banking and other institutional finance is heavily urban-oriented and designed to serve

Training is the most neglected aspect of our management of the rural development programmes and constitutes its weakest link. It is a committed position that not less than 1 per cent of the budget is to be spent on training. At present the Ministry spends hardly Rs 60-70 crore

and shake it!

vious government, new dimensions must be added

urban customers. Even implantation of banking institutions into rural areas has not brought in the required change. Successful SHGs and their federating institutions can be allowed to grow into formal banking institutions while retaining their flexibility. The government may frame legislation regulating the bare essentials.

The concept of self-managed Village Banks using peer pressure and self-regulatory mechanism may be put in place. Greater integration of the SHGs into the NREGS and the social security programme structures is needed. The delivery of NREGS is better where implemented through the SHGs.The Special SGSY is a wonderful programme that builds capacity among the rural youth and integrates them into the urban job market. It needs to grow with special focus on the absolute poor, Dalits, minorities, the landless and those left out of the State-sponsored development process and their greater integration into the private sector and both national and international labour markets.

There must be an adequate flow of technology into the rural sectors; an institutional mechanism in the form of Technology Bank (TeBank) has been conceived for auditing, selection, dissemination and adoption of the appropriate technologies, providing the marketing and institutional finance support and developing a platform of the technology providers, users, marketing firms and banking and other financial institutions. The SHG must be viewed as the pin that holds the two flanges of a hinge together, one flange being the NREGS and the other the SGSY. There has to be greater reliance upon the instrumentality of SHGs for delivery under the NREGS for planning and execution. Possibilities must be developed for the SHGs to raise their own resources and finance the productive endeavour of the new "skilled" worker. A way must be paved for a transition from wage employment to self-employment.

PHOTOS: SHARAD SAXENA

NREGS has to move towards integration with other programme structures. It must develop into a bridge for different programmes. The "100 days' work" principle must be used as a value addition programme by investing in the human environment

Institutional Support to Rural Endeavours

THE success of rural endeavours depends upon the robustness of institutional support. Panchayats have been designated "units of self-government" in the Constitution and it has been left to the states to empower them suitably. The empowerment and growth of Panchayati Raj Institutions, however, is differentiated despite the fact that they deliver more than 85 per cent of NREGS. It has to be realized that the PRIs have to be empowered as units and not in parts and the support has to be of a much greater degree.

The Government of India must take a holistic view in this matter and rise above inter-ministerial rivalries/squabbles and strengthen the Panchayats for being the main instruments of delivery. It must be recognized that the SHG is not adversarial in its instrumentality to the PRI, but can support and supplement the PRI as an institution of the community. The Kudumbashri model is a highly apt model but its replicability would depend upon the institutional base in the state.

The empowerment of the

Panchayats is plagued by rivalry with the state government articulated through the institution of the Collector. The West Bengal model unifies the two within a single structure. The states must be persuaded to adopt this model. A part of their budget must be devolved to the Panchayats as untied funds.

Training is the weakest link in Panchayats. The national capability building format has to unfold as a national programme. Panchayats must be provided e-connectivity and evolved as a business model to make them self-sufficient. Social audits must be developed as an internal mechanism within the Panchayats on a wider scale. There must be a special incentive for the resources mobilized by the Panchayats. Network and linkages amongst the Panchayats must be created.

The empowerment of the Panchayats is plagued by rivalry with the state government articulated through the institution of the Collector

Rural Infrastructure

THE level of the specification of rural roads must be raised to urban standards. There must be more investment in rural housing, taking Andhra Pradesh as a model, and in solar lighting and small power stations. Village youth must be trained in maintenance of solar lights and the micro and agro-waste based power stations. Public distribution must be handed over to the SHGs and a "Food Bank" created in villages for food security through procurement in the local markets. The coarse grains must be used for the PDS and the Village Food Bank. A "Fertilizer Bank" must also be created in every village to make fertilizer locally available and the fertilizer pricing policy must be revised.

Training

TRAINING is the most neglected aspect of our management of the rural development programmes and constitutes its weakest link. It is a committed position that not less than 1 per cent of the budget is to be spent on training. At present the Ministry spends hardly Rs 60-70 crore on training. This expenditure must go up to 1 per cent.

It is not a question of expenditure alone. An apex institution must be selected and allowed to develop a network internalizing the State Institutes of Rural Development, the Extension Training Centres, the Agricultural Universities, engineering colleges, private institutions and the civil society-based organizations. Training is required more at the district, Intermediate Panchayat and Panchayat levels. There are some 90 Extension Training Centres at the district level as a part of the national network of training institutions for capacity building. District Training Centres must be set up for co-ordinating the training at the district and sub-district levels.

The pedagogy in the existing training institutions is heavily lecture oriented. It must switch to case studies, games, field visits with clearly stated course objectives and learning outcomes, and inbuilt evaluation mode. The best doers are also the best trainers. Successful SHGs, Panchayats, co-operatives and CBOs should be encouraged to develop into training institutions. Strong incentive-disincentive structure must be in-built in the training programmes so that the trainees take it seriously.

The very poor, the Dalits, minorities, the landless and other marginalized sections need a group-wise and region-wise differentiated training programme structure. Technology and placement linked skill formation must take priority over other modes of training. India must extend its training institutions and its training skills with the countries in Africa, Latin America, the Caribbean and, of course, South Asia, Southeast Asia and West Asia as an extension of its diplomacy.

Conflict Resolution

RADICAL movements pose the greatest challenge to democracy so far and exercise a disruptive effect upon rural development programmes. The only solution tried so far is that of the gun. There is an imperative need to try other solutions.

There is need to adopt inclusive strategies for such groups and allow space for them in the democratized programme structure. Local self-government institutions must be allowed to assimilate such groups and give space to them.

The government should always be prepared to learn from the people. Even the most backward have something to give. Above all, the poor must be treated with dignity. g

(The author is Director General, National Institute of Rural Development, Hyderabad. The views expressed are personal and not those of the government.)

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SAIL steel being used in the modernisation of Mumbai Airport's domestic terminal

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How safe are we? And

There is a need to draw up new assessments because the international environment

by Col R Hariharan

THOUGH the people have voted a Congress-led coalition to power once again, the Manmohan Singh government did not quite cover itself with glory in its handling of national security issues in its first term. The performance of the previous Atal Bihari Vajpayee government was equally inept. However, both Prime Ministers responded to security issues when forced to do so. Manmohan Singh ensured the safe passage of the Indo-US Nuclear Agreement despite the Left threat to pull the rug from under the feet of his government. Vajpayee's response to the dangerous Pakistani military adventure in Kargil was equally strong.

The reason for India's "traditional" knee-jerk response is simple – lack of systems thinking in handling of national security issues, abetted by the absence of a national vision. The political and policy dispensations have not been able to evolve a mutually reinforcing approach to security and foreign policy issues. India has shown a singular lack of will to face issues squarely and dispassionately to ensure a stable security environment in its neighbourhood. As a result, it has been losing strategic ground even in South Asia, despite its unique geo-strategic advantages.

The national security agenda is generally perceived as limited to ensuring territorial integrity and safeguarding the nation from external and internal threat. Political parties appear to forget that they have a responsibility to foster a feeling of security and trust in the government among the citizens. In other words, the national security has to be people-oriented and not merely restricted to military or political diplomacy. This was amply demonstrated in the general feeling of insecurity and lack of trust in the government after the Mumbai terror attacks. Some informed citizens cynically expressed doubt that the Indian style of democracy would ever respond to calls of national security!

The first task would be to restore public confidence in the government. That can come about only when the government is clear about what it should do. As there are external determinants of national security dynamics, a long-term vision is required to be drawn up. The other policy components would be the accountability of advisory, policy-making and executive authorities, and working in a time-bound manner with clear benchmarks. Only then would the operational structure respond effectively to real-time needs.

There is a need to draw up a fresh threat assessment as the global strategic environment is set to undergo some changes in the near term. And these are likely to affect the power equation in South Asia, particularly in respect of Pakistan, China, other neighbours and the Indian Ocean. The environment is going to be increasingly complex, involving economic, fiscal, technological, diplomatic, and political issues. Each has the potential to affect internal security threats as well. So, policy-making on

Manmohan and Obama: changing perceptions

The national security agenda is perceived as limited to ensuring territorial integrity and safeguarding the nation from external and internal threat. Political parties have a responsibility to foster a feeling of security and trust

how safe do we feel?

will undergo major changes in the near term

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Nuclear alarm bells

THE previous US President, George W. Bush, had laid the foundation for building a strategic alliance with India. Dr Manmohan Singh's government had claimed the signing of the Indo-US Civil Nuclear Agreement as an important achievement of this new-found relationship. However, as the new dispensation in Washington is a strong votary of the NPT regime, the nuclear agreement runs the risk of being sidelined. The statement of US Assistant Secretary of State Rose Gottemoeller at the Non-Proliferation Treaty (NPT) review conference in New York recently, affirming "universal adherence of the NPT itself, including by India, Israel, Pakistan and North Korea, remains a fundamental objective of the United States", has serious connotations for India.

At the same time, there are disturbing reports from Pakistan about the rapid progress in building two large plutonium production reactors that could lead to qualitative and quantitative increase in Pakistan's nuclear arsenal. The Americans have apparently chosen to ignore this development in public, probably due to political, diplomatic and military pressures. India needs to be on watch to handle such realpolitik situations when the non-proliferation card comes into play.

national security will have to be integrated, inclusive and proactive.

US President Barack Obama, in keeping with his electoral promise, has introduced a few changes in the US approach to the war on terror in Afghanistan and the US involvement in Iraq. A more nuanced approach is likely to come into play in the US handling of Iran, North Korea, and even Myanmar – countries dubbed earlier as the axis of evil.

The much heralded US war on terror in Afghanistan is in disarray with increasing spread of Taliban control over Pakistani territory contiguous to the Afghan border. In fact, the democratically elected government of Pakistan is locked in a battle of survival to stop the Taliban forces threatening to take over the country. President Obama's prescription for Afghanistan has identified Pakistan as a key player in the war against the Taliban. This has resulted in Pakistan gaining a position of primacy following the extension of the Afghan operational theatre to include Pakistani territory also.

The reason for India's 'traditional' knee-jerk response is simple – lack of systems thinking in handling of national security issues, abetted by the absence of a national vision. The result: loss of strategic ground

The US is set to expand its footprint inside Pakistan with the extension of financial and military assistance to strengthen the Pakistani armed forces to fight the Taliban. The Pentagon has asked the US Congress to allocate $400 million this year as the first instalment for a new "Pakistan Counterinsurgency Capability Fund" to meet specific Pakistani military training and equip-

ment needs as part of a five-year programme. In the past, the Pakistani Army had always used such US largesse to build its conventional military capability against India, because it views India as its primary threat. Thus, whatever the US intention, the Pakistani armed forces are likely to emerge stronger in coming years; and that would change the dynamics of India's threat perception relating to Pakistan.

The increasing risk of Taliban forces gaining access to Pakistan's nuclear weapons has added yet another dangerous dimension to the security scene in Pakistan. The repeated assurances by the Pakistani government discounting such a possibility have found few takers as many suspect the limbs of the government, including the armed forces and intelligence, to be embedded with pro-Taliban elements. It is imperative that Indian policy-makers handle this issue with circumspection as the US could use it to get India militarily involved in the strategic mess against the Taliban in the Afghan-Pakistan region.

On the operational front, our biggest weakness is our lack of timely procurement of defence needs. Unless we invest in strategic military assets well in time, we would lose ground in our own neighbourhood. And stodgy defence procurement has been the biggest road block faced by the security forces in building strategic capability. There is an urgent need to unclog the channels of procurement that are incapacitating our strategic capability. Otherwise, we will be inviting increasing Chinese presence in our neighbourhood. China is rapidly building its naval and missile capabilities. Coupled with its increasing economic clout, the Indian Ocean and its peripheral countries are likely to become the scene of China's heightened power assertion.

REUTERS

Hillary Clinton in China: the priorities are showing

'Amreekan-Chini bhai bhai' – and what it means for India

THE compulsions of the US economic meltdown have adversely impacted the largely export-oriented manufacturing economy of China. This has set both these countries on a path of convergence of economic interests. The close win-win economic relations being built could colour, if not distort, the traditional American stand on some of the contentious issues between the two countries. Thus we can expect their fallout in India's neighbourhood, offering better opportunities for growth of Chinese influence in this region.

As a result, some China-related issues could come increasingly under the Indian security scanner in the next few years. These include: increase in the Chinese profile in Nepal under the Maoist regime, increasing global acceptance of Myanmar as a domain of China's strategic interest sidelining India's security interests, and the increasing strategic presence of China in Sri Lanka and the Indian Ocean. Under adverse conditions, the future of Tibetan refugees in India and their struggle for autonomy could also become a contentious issue between India and China.

By rejecting politicians who traded their caste, communal and criminal proclivities instead of meeting the needs of the people, voters have shown that they are not going to be swayed by rhetoric and politicking. They want results on the ground. So it would be politically prudent for the new government in New Delhi to seriously address long-pending national security issues. National interest should be the sole criterion in handling India's security and foreign policy dispensations. And implementing a new time-bound security agenda integrated with foreign policy objectives would be the first step in making it a reality. g

(Col R Hariharan, a retired MI officer, is associated with the Chennai Centre for China Studies)

How to face all THREATS

The people's representatives in the new House need to remember that national security and national interest are coterminous

by Gen Ashok K Mehta

ONE hopes that this government, even though it is the same government, will be more seriously committed to national security this time around and seek at the outset a national consensus or at least a common minimum programme on defence and security. It is no exaggeration to say that vital issues of national security are plagued by political and bureaucratic inefficiency and growing politicization especially in the realm of internal security. The Samajwadi Party's Amar Singh had said last year that his party supported the beleaguered Congress-led UPA government over the India-US nuclear deal not for any political motives but in the interest of national security. The people's representatives in the new House need to remember that national security and national interest are coterminous.

The foremost task for the new government is to protect its citizens from terrorism both externally sponsored and internally driven. The previous government was lucky that there were no terror attacks since Mumbai last year. Many US think tanks, notably Rand, have said India continues to be vulnerable to Mumbai-like attacks and should expect one soon. The US Annual Country Report on Terrorism 2008 is a sobering reminder of the challenges to India's internal security. It ranks India among the world's most terrorism-afflicted countries but our efforts to counter the menace remain hampered, it says, by outdated and overburdened law enforcement and legal systems. What it does not say is that a weak coalition government lacks the political will to act to maintain the highest levels of internal security.

In this regard, it would be useful to take a tip from Sri Lanka on the use of force as well as from Bangladesh which has recently constituted a National High Powered Committee to combat militancy and terrorism. Some post-Mumbai proposals like restructuring anti-terrorism laws and the creation of a National Investigation Agency are a drop in the ocean for India – surrounded by a most turbulent and tortured neighbourhood. What India needs is a Department of Homeland Security, the equivalent of a separate ministry of internal security like the Ministry of Defence for external security to deal with crossborder terrorism and a long inventory that constitutes internal security.

Settling the Kashmir dispute and resolving the political insurgencies in the Northeast – in Assam, Manipur and Nagaland – must take priority. The illegal immigration from Bangladesh must be stamped out and Nagaland not allowed to fester. These disputes have to be settled politically at the earliest.

The Naxalite problem is the biggest challenge to internal security. The Indian habit of dealing with the problem only when it turns into a crisis has to be replaced with preemptive action. The Naxal menace is not a law and order problem, internal to individual states. It is an internal security problem and has to be seen so, constitutionally removing the ambiguities between state and Central responsibilities.

The external fences against China and Pakistan have to be strengthened further. The government has been in gross neglect of infrastructural development in the north when China has changed the operational landscape in its favour. The country is being revisited by the political lethargy of 1962 just as China is multiplying outputs militarily and economically. Its newfound assertion on our periphery is worrying as we factor "intention" more regularly than "capability" of a rival. Our obsession with

President Patil with troops on the Chinese border: keeping the guard up

PIB

Our obsession with Pakistan has let the guard drop against China as these two countries are bound in a strategic nexus against us. Military capabilities including covert force multipliers have to be developed against both

Pakistan has let the guard drop against China as these two countries are bound in a strategic nexus against us. Military capabilities including covert force multipliers have to be developed against both adversaries and with Pakistan a sharper deterrent is needed in Kashmir.

In the maritime domain, our domination of sea lines of communication in the Indian Ocean region, control of choke points, wherewithal to combat piracy and capacity to reach out to friendly countries adds a new dimension to sea power. Similarly, as the regional power, the country's air assets must extend into space for the security of strategic devices deployed up there. Some of our strategic weapons programmes like the Advanced Technology Vessel (ATV, India's nuclear-powered submarine) require revitalization to achieve the triad of the nuclear deterrent.

Defence spending fell to a low of below 2 per cent this year, the first time since 1962 though the availability of funds remained constant because of the increased size of the GDP. The setback is invariably to the capital fund for modernization which suffers from a multiplicity of drawbacks. The most prominent hole in the wall is the absence of long-term modernization plans backed by committed funds. What is worse is the failure to utilize funds in time due to Tehelka-like incidents and fear of the three Cs: CBI, CAG and CVC. Many defence projects fail to take off due to this mindset.

Consequently, conspicuous deficiencies have arisen in the operational readiness and combat edge of the three services. In 2001, for example, the services enjoyed a favourable military balance vis-a-vis Pakistan – Air Force 3.8 to 1; Army 1.7 to 1 and Navy 2.8 to 1. The IAF has dropped in combat squadrons from 39 to 32 with the indigenous LCA already a decade behind schedule. There are similar deficiencies in the Army and Navy which have robbed the military of its conventional advantage over Pakistan. Special Forces, now the cutting edge to decisive outcomes in limited war and LIC, are a fraction of what they ought to be. There has been over-reliance on conventional warfare with little appetite for undercover operations. The Indian military is geared for a war it is unlikely to fight in the future and unprepared to face a Taliban. The right balance between conventional deterrence and LIC ranging from countering insurgency, naxalism and terrorism is the need of the hour. The correct mix of forces has to be invented through an Army Defence Review, provoked by the political establishment.

REUTERS

Young Naxalites: aiming at India

The new Defence Minister must establish a task force to streamline defence planning and spending, removing bottlenecks imposed by hugely complicated weapons acquisitions procedures. Without prevaricating any further, the government must appoint a Chief of Defence Staff, vital for jointness in planning and conduct of operations, pending since 2003 for imagined reasons of loss of civilian control over the military and spurious objections by the IAF. The Kargil Review Committee report had made nearly 100 recommendations for defence reforms and the majority of these have been lost in inter-departmental coordination and others simply not implemented.

In Nepal, Pakistan, Bangladesh and Sri Lanka, the military has played a key role in the management of security and governance, frequently challenging civilian authority. The Indian military, on the other hand, has not crossed the red line of civilian control though the political class has delegated its authority to the civilian bureaucracy. Being kept out of decision-making and not being appropriately recognized in the warrant of precedence irks the military. Denial of a Bharat Ratna for Field Marshal Sam Manekshaw who gave this country the first military victory in 1000 years was the greatest national disservice to the country and the military. The shoddy treatment of the services in the 6th Pay Commission, later corrected to some extent, has left a bad taste in the mouth.

Similarly, the one-rank-one-pension issue has divided the ex-servicemen's community which is integrally linked to serving soldiers. The advisory given to ex-servicemen to vote for the BJP which is seen as much more robust on defence and security is another step towards politicization of the armed forces. That can only dilute professionalism and their apolitical disposition.

Of course, soldiers want their due share of perks and money for service to the nation. Also, for laying their lives on the line, they deserve and demand dignity and respect. It is time the political class and its esteemed bureaucracy stopped fooling around with the military or testing its tolerance threshold. This is not the military of the 1960s and 1970s. It is different and has thinking officers and men. g

SHARAD SAXENA

Forward March!

The new government must implement these sorely-needed reforms, and not let them remain a wish list

by MAJ GEN MRINAL SUMAN

A new government has been put in place with a comfortable working majority to pursue progressive policies without any encumbrance. The agenda for the new government relating to the defence forces needs diligent consideration and dynamic implementation. Some critical issues that have a profound effect on the operational efficacy of the services are discussed below. At first glance, it may appear a wish list. But objectives have to be set in order to strive to achieve them.

Modernization of the Armed Forces

It is an accepted fact that modernization of our armed forces is lagging by a decade with critical gaps in equipment profile causing grave concern. Successive governments have been making adequate funds available for the procurement of new equipment but structural, procedural and policy inadequacies have been stalling their full utilization.

The following would help:

- **Delegation of Technical Evaluation**

Currently, Acquisition Wing under the Ministry of Defence (MoD) handles the complete gamut of procurement activities. For every decision, the services have to refer cases to MoD, resulting in avoidable delays. As MoD has little to contribute to technical appraisal of competing equipment, all functions from issue of tender documents to selection of technically acceptable equipment should be transferred to Headquarters Integrated Defence Staff. But commercial evaluation and price negotiation with the successful bidder should continue to be undertaken by MoD.

Republic Day parade: hollow show?

- **Reforms in Procurement Procedure**

All procurements are required to be carried out as per the approved 15-Year Long Term Integrated Procurement Plan and 5-Year Services Capital Acquisition Plan (SCAP). SCAP for 2002-2007 had not been approved till 2007, resulting in a massive 43 per cent of the capital budget being expended on unplanned items in 2005-06! All procurement plans must be finalized well in advance and comprehensive sanctions issued at the outset, obviating the need for repeated references for piecemeal approvals. Matrix system should be introduced to select equipment that provides best

performance parameters commensurate with its cost. While working out cost, life cycle costs should be considered rather than initial procurement costs which can turn out to be highly misleading in the long run.

- **Offset Policy Issues**

Offset threshold should be reduced to Rs 100 crore from Rs 300 crore at present (the British demand offsets for all contracts over Rs 70 crore). Offset value should be raised from 30 per cent to 100 per cent, the level accepted the world over. To promote Indian defence industry, transfer of technology should be accepted against offsets.

- **Foreign Direct Investment Issues**

Although the defence industry was opened to the private sector in 2001 with a cap of 26 per cent on Foreign Direct Investment (FDI), the response has been lukewarm. Prospective foreign investors find the policy highly dissuasive – they have no significant control, strict capacity/product constraints, no purchase guarantee and no open access to other markets (including exports). It is time to raise the FDI cap to 49 per cent and revisit the policy to rationalize other incongruent provisions.

- **Carrying Forward of Defence Budget**

Defence procurement cycles span three to five years. The current system of unexpended defence budget getting surrendered is a big impediment to long-term planning and allocation of resources. The MoD should be allowed to carry forward unexpended funds. Such a provision will also curb the current tendency of procuring unplanned items near the end of a financial year just to spend all allotted funds.

The Pay Imbroglio

A separate standing pay commission should be constituted for the services, as in many countries. All issues relating to pay and allowances of the services should be referred to the commission.
The earlier status of Lieutenant General vis-à-vis Director General of Police should be restored.
Rank-based pension should be sanctioned to help retired soldiers improve their quality of life and live their old age in dignity.
Shortage of officers should be overcome by making Short Service Commission attractive through assured second career by lateral induction, as recommended by SCPC.

- **Integration of the Private Sector**

Both the public and private sectors are national assets. Whereas the public sector possesses extensive infra-structure and trained manpower, the private sector excels in technology, financial management and marketing. Therefore, entry of the private sector in the defence industry must be facilitated. Both the sectors should be treated on a par. The Department of Defence Production in the MoD should be replaced by the Department of Defence Industry.

- **Promotion of Jointness**

The contemporary world-wide Revolution in Military Affairs (RMA) pre-supposes total tri-service integration in thought and execution. In RMA-oriented warfare, joint operations constitute the key to battlefield dominance and military superiority. Lack of jointmanship among the three services and the current mindset of segregated service-wise operations have been the bane of Indian defence preparedness.

All military commanders acknowledge the criticality of jointmanship for national security. They support it when it comes to platitudes but fight every step towards jointmanship fiercely on specious grounds. This dichotomy is due to the fact that the services guard their turf with relentless fanaticism and every jointmanship proposal has to result in a reduction of domain of each service to prevent duplication/triplication. Conservation of resources and effort is one of the primary objectives of jointmanship.

As the services continue to quibble, the government must intervene forcefully. Although decision by consensus is always the most preferred option as it creates synergy in an organization and facilitates smooth implementation, there are times in the life of every nation when hard decisions are required to be taken by the leadership. Delay or wavering can cause irreparable damage to national security interests. Should the persuasive approach fail to yield the desired consensus, the government should enforce jointmanship through decree. National interests cannot be permitted to be held

Whereas the public sector possesses extensive infra-structure and trained manpower, the private sector excels in technology, financial management and marketing. Therefore, entry of the private sector in the defence industry must be facilitated

hostage to the intransigence of a few dissenting military leaders.

The Kargil Committee Report suggested a number of measures which must be carried out without delay or dilution. Foremost among its recommendations is creation of the post of Chief of Defence Staff. Additionally, the Defence Intelligence Agency needs to be empowered and made more effective.

- **Outsourcing of Non-Core Functions**

Outsourcing in its broadest sense refers to contracting out to external agencies certain services and tasks which were earlier performed with internal resources. Manpower ceilings, limited defence budgets and advent of increasingly complex military hardware are forcing world militaries to outsource non-core functions. If implemented intelligently, outsourcing can act as a force multiplier by freeing additional manpower for operational tasks.

Soldiers are trained to fight an adversary and must concentrate on their primary function. They should not be wasted on routine administrative functions, for which civilian service providers are better equipped and are more cost effective. For example, organizations like the Military Engineering Service have outlived their utility and must be disbanded. Building construction and maintenance functions can be fruitfully outsourced.

- **Organizational Reforms**

To inject professionalism and promote jointness in the MoD, at least half the appointments at Director, Joint Secretary and Additional Secretary levels should be held by service officers. There is no reason for the Chief Administrative Officer of the MoD to be an IAS officer. Similarly, it is incongruous to have bureaucrats man all posts in the Department of Ex-Servicemen's Welfare.

Urgent reforms are required in the Defence Research and Development Organization (DRDO). It should be made accountable for its performance through periodic external audits. As mandated, DRDO should focus only on strategic, complex and security sensitive systems. It must not waste the defence budget on unrelated activities.

On an average, 40,000 personnel are discharged from the services every year. As recommended by the Sixth Central Pay Commission (SCPC), close to 12,000 retiring servicemen can be laterally shifted into various civilian cadres under the MoD every year. This measure will save the considerable pension bill and provide employment to needy soldiers who retire in the prime of their lives.

With the release of the SCPC report, the services have come to believe that they are being downgraded and marginalized deliberately and systematically. It does not augur well for a country to have demoralized soldiers. Creeping despondency and growing discontentment must be arrested immediately. It is time their grievances are redressed and their confidence in the fairness of the government restored. *(See box at left)*

Although five years is a very short period in the life of a nation, all matters pertaining to defence have a long gestation period and take time to fructify. Therefore, it is essential that the new government gets going at the earliest without getting bogged down in bureaucratic quagmire. **g**

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Neither glamorous nor deadly

Intelligence is the first line of defence in today's world and India lags behind

by Anand Verma

OVER 50 years after gaining independence from the British, Indian Intelligence continues to operate within the framework left by them. The system was created to deal with problems and requirements of a different age. But we have moved into a new era where the national security architecture of the world keeps changing in a kaleidoscopic pattern, creating new axes of conflicts and conciliations. Times have changed enormously and the world has become far more complex.

It is high time an Indian Intelligence Reforms Commission is appointed on the lines of the Administrative Reforms Commission to overhaul the old system. There are a number of new paradigms requiring consideration. If in today's world Intelligence has become the first line of defence, there is no time to lose.

The very first reform should be to give Indian Intelligence the backing of legislative enactments. The laws should provide a degree of autonomy which frees Intelligence from all bureaucratic restraints and controls relating to financial management, administrative functions, pay scales, recruitment, postings and promotions, hire and fire policies, and enforcement of discipline. The laws should spell out the charters and authorize the Central Government to fix broad targets within the charter. This will prevent the misuse of institutions by those in authority. The laws should hold Intelligence accountable to the Cabinet or its Committee for National Security but also create a Parliamentary committee for overseeing. Detailed rules can be worked out to determine the parameters of overseeing and areas of Intelligence work over which it will be exercised.

Absence of legislative cover is a serious lacuna. All Intelligence work is carried out under executive instructions but operations abroad would involve breaking of local laws of the country concerned. Neither those who give instructions for such operations nor those who carry them out are protected legally under the Indian laws. Contrast this with the US. Institutions like the CIA are created by laws of Congress. All activities that the CIA may be required to carry out are directly or indirectly identified in the charter legally given. Their operations are thus safe under US laws. No such protection is available to Indian operatives carrying out Intelligence tasks abroad.

Autonomy is essential for non-conventional organizations to do their jobs. They should be free to hire the best talent available which will be possible only if a very superior compensation package is on offer to the recruit. Today's Intelligence needs require engineers, management specialists, economists, scholars, scientists, and sociologists, among others, of supreme quality. But only the inferior type wants to make a career in Intelligence because the better type finds the existing compensation packages unattractive. In other countries, Intelligence services are usually the best-paid organizations in those countries. This is the reason why the CIA serves as a magnet, attracting large numbers of doctorate holders from the

SHARAD SAXENA

R&AW headquarters in New Delhi: dour, not dynamic

and Japan. There are issues of land, water and climatic changes, all of which singly or together lead to mass migrations, creating demographic imbalances. Who else should study such phenomena holistically if not Intelligence? Their database and sharp analysis can contribute to keep nations' interests secure.

The increasing complexity calls for another reform – the operations and analysis cadres in Intelligence should be made distinct and separate. When Intelligence needs were few, there may have been a justification for the two streams to flow as one, but not any longer. Indian Intelligence has to grow much larger than what it is today. The value of an analyst lies in the depth of his studies of his field. The longer he specializes, the greater the intuitive insight he acquires. Such knowledge will go waste if he moves to operations.

Autonomy is essential for non-conventional organizations to do their jobs. They should be free to hire the best talent available which will be possible only if a very superior compensation package is on offer to the recruit

best schools in the US.

In recent years, the international terror threat has grown exponentially. There are threats of mass destruction of population and property through use of weapons of mass destruction, mass disruption of communications through manipulation of cyberspace and of mass doctrinal madness through clever selective religious indoctrination. Such a range of offensive tactics cannot be countered by keeping intelligence on the defensive. Intelligence has to be provided teeth to bite with. It should therefore develop its own cadre of offensive operators or learn to do so in the company of select uniformed services. While major countries have for long practised the offensive mode of Intelligence work, India has lagged behind. Intelligence reforms should open up the possibilities of covert actions. Use of non-state actors by state actors effectively takes away India's options to stay neutral to covert operations. A redefinition of the nation's security interest will demand India meets challenges boldly.

Intelligence has to acknowledge the appearance of new perspectives following globalization. Fast-moving technologies have rendered borders meaningless. There is a new competition for economic penetration. Because of these trends, sovereignties of nations are at a discount. In times ahead India will face acute competition from the other two rising powers of Asia, China

Naxalism has been identified as the nation's most serious problem in the field of national security. Starting from a single village, Naxalbari, in West Bengal in 1965, Naxalism is now present in 16 states, affecting 160 districts. In the context of Intelligence reforms, one must examine why such growth has occurred. It would seem that our Constitutional scheme, by dividing powers between the states and Centre, has prevented the latter from formulating and executing a cohesive policy for the country to battle this problem. If this situation is not rectified, mere reforms in Intelligence will not do. g

(The writer is former Secretary, R&AW)

Fiscal discipline must

REUTERS

Making the financial system vibrant enough to encourage saving and investment of savings in productive financial assets is the biggest challenge

by GS Sood

A UPA government not dependent on Left support can best be described as a dream come true and is a best-case scenario for investors in general. The markets gave a thumbs-up to the victory obviously in the hope of reforms being pushed aggressively, especially in the financial sector. Also, unlike in its earlier *avatar*, the new government cannot offer any excuses for not delivering on the key issues facing the nation.

Stockbrokers: post-election, the smiles are coming back

While talking of reforms, we cannot ignore the fact that there have emerged two very opposing and contradictory views – one favouring reforms and the other blaming the same for the crisis we faced in the recent past. UPA Chairperson Sonia Gandhi, taking credit for the limited impact that the global financial crisis has had on the Indian economy, at the *Hindustan Times* Summit in New Delhi, claimed that it was due to the wisdom of Prime Minister Indira Gandhi's decision to nationalize banks.

Financial reforms in the form of financial liberalization have been the root cause of financial and banking crises leading to currency crisis in several countries, so much so that many of them had to re-impose the controls or intervene directly. It has therefore been proved that, without understanding the ground realities of our system, no reform can be implemented simply because it appears sound theoretically or has proved effective elsewhere.

The reforms have been blamed because they put an end to our "splendid isolation" and integrated us more

be the core

with the world, leading to our experiencing the tremors of the global financial crisis. It is against this backdrop that the current government has to give serious thought to two basic questions, pertaining to the why and what of reforms.

Though the return of the UPA assures continuity and consistency of policies, the same may not be seen in view of the largesse the earlier government granted to various sections for potential political gain. Having achieved the purpose, some harsh measures need to be taken urgently in the post-election scenario to bring the economy back on track and fight the slowdown aggressively. Fiscal discipline should therefore be the core of whatever shape the reforms are to take.

The recent past has witnessed the economy paying heavily for the excessive volatility in exchange rates emanating from huge and sudden inflows and outflows of capital from abroad. The financial system needs to address this vital problem, viewing the rupee convertibility in this perspective. At the same time, the financial system needs to be made more responsive to the needs of the unorganized sectors especially small and medium enterprises with special emphasis on micro financing to achieve inclusive growth. Instead of being stock market-centric, our policies should aim at achieving the robustness of industry and the corporate sector. This will automatically take care of the stock markets.

The virtual non-existence of debt market is the major weakness of our financial system that needs to be addressed urgently. It will go a long way in assisting infrastructure financing. Infrastructure needs big fiscal incentives, failing which it will be a major bottleneck in achieving the long-term growth target of 9-10 per cent. Prime Minister Manmohan Singh has himself pointed out that the twin problems of poverty and unemployment cannot be tackled seriously unless we achieve a growth rate of at least 9-10 per cent.

Instead of being stock market-centric, our policies should aim at achieving the robustness of industry and the corporate sector. This will automatically take care of the stock markets

Bank mergers and disinvestments in PSUs are commonly rated to be very high priority items on the agenda of reforms. However, any hasty decision on both these counts may backfire. The government needs to tread very cautiously. The experience abroad suggests that banks of very large size keep the native governments under pressure to unwillingly subsidize them in order to avoid any major crisis spilling over to the financial system. Any move towards disinvestment should wait till the markets stabilize and are prepared to absorb the floatation of the size these companies intend to place. Any rush on this count may do irreparable damage to the markets and investor sentiment in general.

The regulatory structure in the country is another area that needs urgent attention. We need a single regulator for all financial activities in the country. Multiple agencies harm market regulation. A regulator as weak and inefficient as SEBI needs to be completely overhauled. The endless wait for the new Companies Act should also now end. And the Competition Commission of India (CCI) needs to be activated immediately with far more powers than it enjoys.

Increased fiscal decentralization, simplification of rules and regulations for doing business, and reforms in pension and provident funds to avert any major crisis are tasks that need to be taken up at the earliest. g

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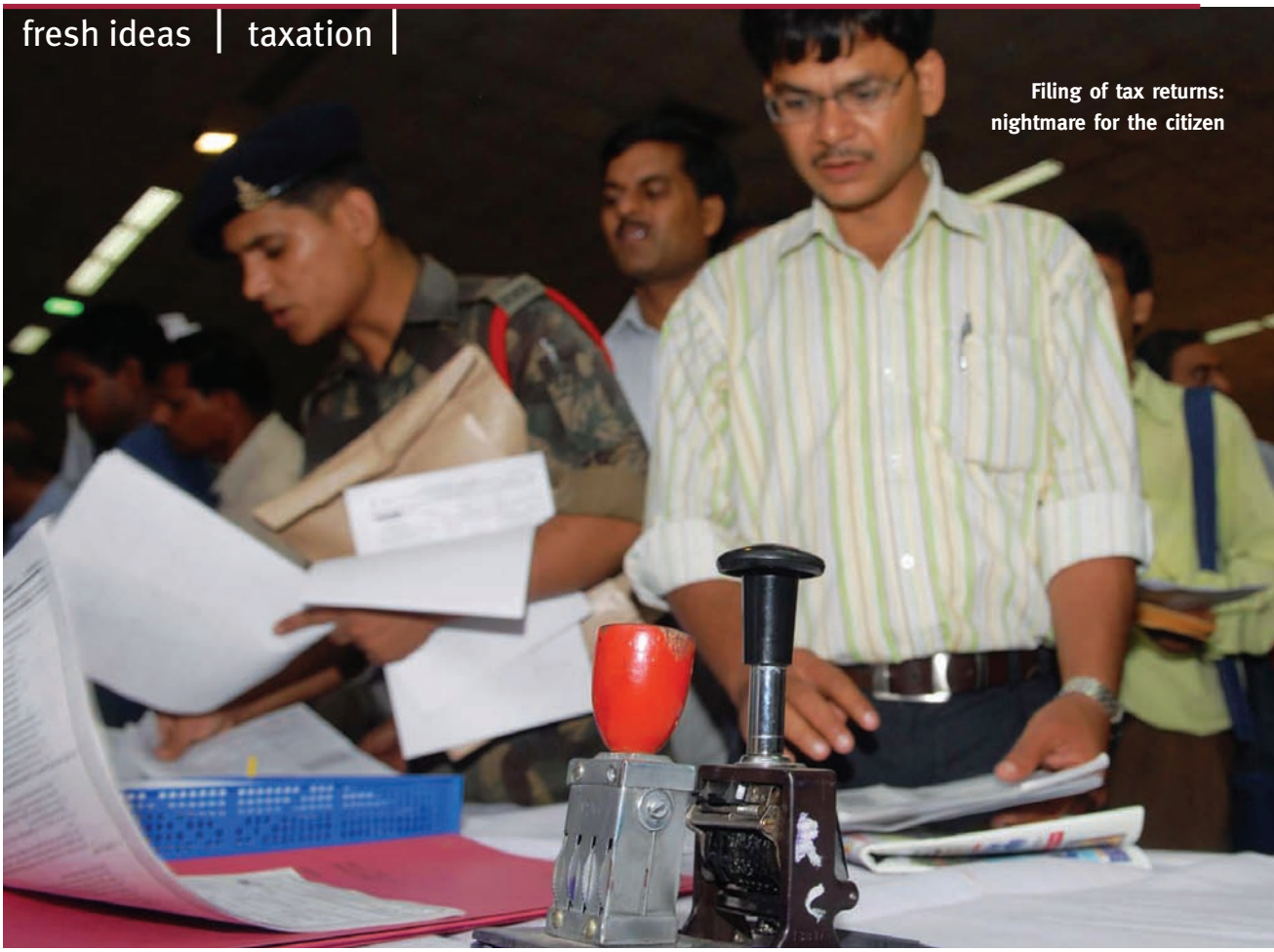


Filing of tax returns: nightmare for the citizen

SHARAD SAXENA

Gentler, kinder tax police!

Friendliness instead of authoritarianism will pay dividends by hiking revenue

by VINOD SINGHANIA

THE attitude of tax authorities in India, to put it mildly, is similar to that in a police station. In contrast, in most of the advanced countries, taxpayers are not only respected but are given a number of benefits. In India, they are harassed. If the government can bring about just one single reform – altering the attitude of tax authorities from stern police to a friendly and helpful neighbour, the result would be not just relieved taxpayers but also a tremendous increase in tax revenue.

The truth is that the average taxpayer is afraid to disclose a hike in his income even if it is perfectly above board for the simple reason that it is bound to rouse suspicion in the mind of the assessing officer. Hence, it is quite likely that an individual will prefer not to disclose any massive increase in his income. Another factor is that the tax department is believed to be amongst the most corrupt departments of the country.

Though the automation of functions such as filing of returns and refunds has had a considerable impact, a great deal remains to be done. Scrutiny should also be automated so that the taxpayer is not required to go to the Income Tax Department. Form 26AS is a revolutionary step in this direction. One can electronically see one's tax status including the payments of tax made, TDS deducted and advance tax paid till date. The need to put a host of questions to the taxpayer has by and large been eliminated because the assessment officer can get complete information from this form. Accordingly, strong incentives should

The word of the law: Income Tax Rules

WHERE an assessee is in receipt of a sum in the nature of salary, being paid in arrears or in advance or is in receipt, in any one financial year, of salary for more than 12 months or a payment which under the provisions of Clause (3) of Section 17 is a profit in lieu of salary, or is in receipt of a sum in the nature of family pension as defined in the explanation to Section 57 (iia), being paid in arrears, due to which his total income is assessed at a rate higher than that at which it would otherwise have been assessed, the Assessing Officer shall, on an application made to him in this behalf, grant relief under Rule 21A of the Income Tax Rules, 1962.

A government servant or an employee in a company, cooperative society, local authority, University, Institution, association or body, if he is entitled to relief under Section 89, of the Income Tax Act, 1961, may furnish to the employer such particulars in the prescribed form no 10E. The employer in such a case shall compute the relief u/s 89 on the basis of such particulars and take it into account while deducting tax at source [Vide Section 192 (2A)].

According to Circular No 431, dated 12.9.1985, the relief under Section 89 read with Rule 21A of the Income Tax Rules will also be admissible in respect of encashment of leave salary by an employee while in service.

Such relief in respect of salary paid in arrears or in advance/family pension paid in arrears shall be computed in the following manner:

1. Find out the tax on total income of the previous year in which the salary is received in arrears or in advance (such salary being hereafter referred to as "additional salary").

2. Find out the tax on total income as reduced by additional salary.

3. From the amount arrived at in (1), deduct the amount arrived at in (2).

4. The resultant figure of (3) is the tax on additional salary.

5. Ascertain the previous years to which the additional salary relates and add the respective amount of additional salary in respective preceding previous years.

6. Find out the tax on total income as increased by the relevant additional salary in respect of each of such previous years.

7. Find out the tax on the total income (without the addition of additional salary) of each of the said previous years.

8. From the amount so arrived at in (6) deduct the amount arrived at in (7)

9. The resultant figure arrived at in (8) is the aggregate tax on additional salary.

10. The relief u/s 89 is the difference of (9) and (10).

Sanjiv Saddy

be offered by the government for online submission of tax returns.

The highest tax rate in case of individual taxpayers should not be more than 25 per cent with the savings limit under Section 80C increased significantly to promote savings and investments for achieving the GDP growth targets of 9-10 per cent. But I fail to understand the logic of the method of imposing Fringe Benefit Tax. It can be simplified if all items under this head are taxed in the hands of the employer. At present, confusion abounds on this count since many of the items are taxed in the hands of the employee as well. It is better if such tax is always deducted at source and ultimately takes the form of what is popularly known as Withholding Tax. Just as the tax is paid on dividends before distribution, the same can be done for many other payments such as Rent, Interest, Royalty, Technical Fee, and so on. Thus there is a lot of scope for simplifying the existing Income Tax Act.

The highest tax rate in case of individual taxpayers should not be more than 25 per cent with the savings limit under Section 80C increased significantly to promote savings and investments for achieving the GDP growth targets of 9-10 per cent

Coming to corporate tax, the tax system should be such as to offer incentives for growth. The present system does not offer any incentives for fresh investments. The country will realize the error of this 20-25 years from now. I strongly advocate liberal incentives being given to companies investing in plants and machinery. The corporate tax rate can be lower for companies investing at least 25 per cent of profits in plants and machinery whereas others can be charged at the usual rate.

There are many more issues regularly debated and disputed between taxpayers and the authorities and even pending at the level of the Supreme Court. They can be clarified by way of amending the provisions in one go so that all these controversies can be put to rest once for all.g

Mohsina's days numbered
of no use to party

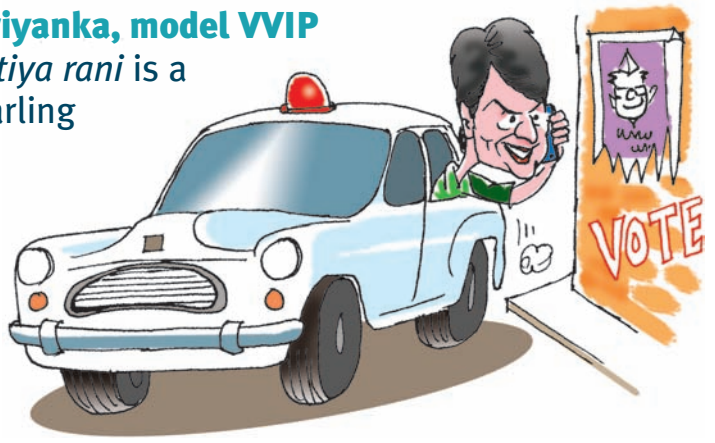
AS expected by political watchers, Congress General Secretary Mohsina Kidwai has been denied a berth in the Union Cabinet by the party high command. She was apparently not in demand by the party in her home state, UP, during the elections. However, she did make a few private visits to her home town of Barabanki as well as to Lucknow where the Congress had fielded former state Chief Secretary PL Punia and the state unit president, Reeta Bahuguna Joshi, respectively. Punia won while Joshi was defeated by the BJP candidate.

Sources say Mohsina did not want either to win; Punia got the ticket on the intervention of 10, Janpath with whom she has fallen out of favour while Joshi is supposedly her rival in the internal politics of UP.

A Rajya Sabha member from Chhattisgarh, Mohsina would either tour the state accompanied by an allegedly controversial staffer or would prefer to entertain her relatives, visiting from Pakistan. Meanwhile, Congress workers would be neglected. Angry, they kept a tab on her activities and tattled to the high command.

With Chhattisgarh having slipped out of Congress hands, her utility in Congress politics has come under question.

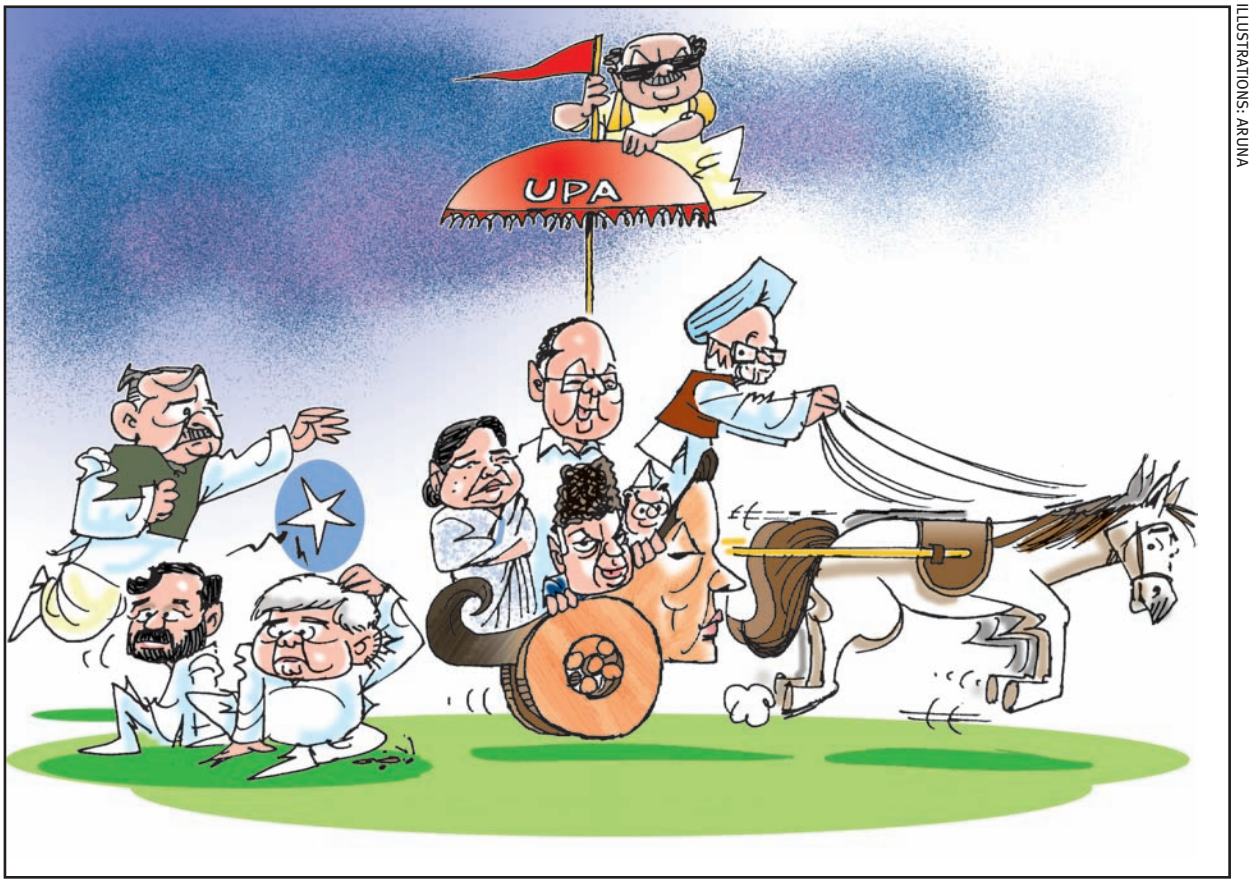
Priyanka, model VVIP
bitiya rani is a darling



BUT for her full-time involvement in electioneering and the interface with the public during the Lok Sabha election in Amethi, and an occasional Page 3 appearance, Priyanka Gandhi Vadra remains a pleasing enigma for the ordinary citizen. Lucky Dilli*wallah*s get glimpses of her whizzing past in a car under heavy security. Unlike the majority of VVIPs, she prefers to remain low-profile – causing a minimum of inconvenience to traffic on account of her security. It is also said that she dislikes honking and has been observed keenly reading hoardings and posters while riding in her car, perhaps to remain updated on day-to-day political events. At other times, she keeps text messaging or talking on her phone. Her security personnel are well aware of her likes and dislikes – that the siren is not to be used and every traffic signal is to be honoured. Best of all, if someone waves to her and she notices it, she is bound to wave back with a smile.

Khanduri's murky midnight
wiliness saves chair

A bit of dark diplomacy – a most apt phrase, under the circumstances – was what saved the chair of the Uttarakhand Chief Minister, Maj Gen BC Khanduri, after



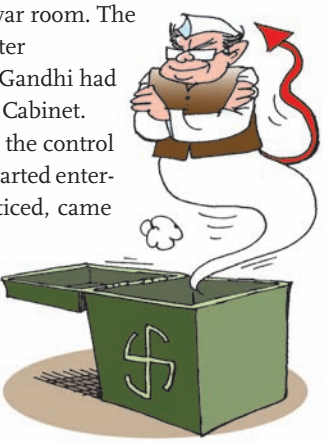
ILLUSTRATIONS: ARUNA

the general election. The BJP debacle in his state had paved the way for his ouster. Two central observers of the party, Mukhtar Abbas Naqvi and Khevar Chand Gehlot, visited the state and met all the 34 party MLAs and sought their individual opinion. Apparently, 24 held Khanduri responsible for the debacle and wanted his immediate removal. When Naqvi was on his way back to Delhi at midnight, he got a call from the residence of the Chief Minister and turned back. After an hour-long meeting with Khanduri, Naqvi called party president Rajnath Singh, who told him to submit a report to him the next day in Delhi.

The report said that Khanduri enjoyed the confidence of 24 MLAs with only 10 opposed to him. Showing commitment to democracy within the party, the president asked Khanduri to continue.

Ambani operation
war room hospitality

WITH the Lok Sabha election over, the hoi polloi forgotten and the same old breed of businessmen, political lobbyists and vested interests running the show, everything is back to normal in the life of the government, industry and nation. The usual machinations and manipulations are in motion again.When news of Mukesh Ambani making major gains reached Anil Ambani, the younger brother turned a suite in Claridges, a Delhi five-star hotel owned by an arms dealer, into his war room. The time left for action was only a day as Prime Minister Manmohan Singh and Congress president Sonia Gandhi had almost finished giving final touches to the Union Cabinet.



The message from the war room was flashed to the control tower of the Congress and Anil Ambani loyalists started entering Claridges after twilight. Among them, unnoticed, came Congress stalwart Ghulam Nabi Azad, Minister of Health and Family Welfare, accompanied by Ambani himself. They joined the waiting lot in the suite and the get-together with dinner and other hospitalities lasted until daybreak. At the end, a visibly relaxed Ambani came out with a smile on his face.g

THE 'RS 25 LAKH POLL BUDGET' JOKE

The Election Commission must frame more realistic rules for poll expenditure

by Anil Tyagi

- In Punjab, a month before elections, liquor stocks shot up from 2 lakh to 19 lakh litres.
- In Karnataka, water and milk tankers were found to have secret chambers for liquor.
- Schoolchildren were used to transport liquor bottles in their school bags during elections.
- Truckloads of cricket gear were distributed during Assembly elections in Karnataka as it was cricket season.
- The Election Commission detected unusual bookings and sale of motorcycles in Goa. Some candidates distributed vouchers for motorcycles, encashable if they won the election.

THESE are some of the most telling disclosures made by the Election Commission of India on the methods deployed to ensure victory by some of the candidates who contested Election 2009. A total of 8,070 candidates were in the fray, including 556 women. According to reports, an estimated Rs 15,000 crore was spent by politicians, including the Assembly elections in Andhra Pradesh and Orissa. The Election Commission stipulates a ceiling of Rs 25 lakh on expenditure by a Lok Sabha candidate. The figures speak for themselves.

A survey by the Centre for Media Studies (CMS) pegs the estimated amount spent on the Lok Sabha polls at about Rs 10,000 crore. The average expenditure per candidate comes to Rs 1.23 crore. Significantly, this does not include the expenditure incurred by the political parties. The survey indicates that the Congress and BJP spent Rs 1,000 crore each. The total amount spent by all the political parties in this election was Rs 4,500 crore.

(According to the survey, government spending on the polls came to about Rs 2,000 crore, including about Rs 1,300 crore by the Election Commission and Rs 700 crore by various Central and state government agencies on photo identity cards, EVMs, polling booths and so on.)

The candidates in the US Presidential election spent close to $1.8 billion (nearly Rs 8,000 crore). The collection of the funds from 4.5 million supporters was publicly known. In India, nobody knows the source and amount of funding of politicians

PHOTOS: TRIPATHI N

Dons Atiq Ahmad and (left) Mukhtar Ansari: fattened on a system of subterfuge

Money, muscle and impunity

- Out of 535 MPs, 98 have not furnished PAN details.
- Out of 204 Congress MPs, 39 (19%) have not furnished PAN details. Out of 116 BJP MPs, 16 (14%) have not furnished PAN details.
- Out of 300 *crorepati* MPs, 25 have not furnished PAN details. The list includes Rajkumari Ratna Singh, Congress MP from UP who has assets worth Rs 67 crore and Congress MP Vincent Pala from Shillong who has assets worth Rs 25 crore.
- Of these 25 *crorepati* MPs, eight have criminal cases against them. There are 17 serious charges under the Indian Penal Code against them, including attempt to murder (against two MPs), robbery, dacoity and forgery.

The revelations by the Election Commission and the CMS survey constitute the proverbial tip of the iceberg. A top leader of a political party other than the Congress, who contested from a town bordering Delhi, reportedly spent Rs 50 crore.

The fault lies with the basic rules limiting poll expenditure, which force concealment and subterfuge. How can a candidate who declares his assets as worth Rs 800 crore to the election authority be expected to confine his poll expenditure to a paltry Rs 25 lakh?

We have a tendency to look to the West to bolster our arguments. Well, look at poll expenditure in the US. According to information available with the US Federal Election Commission, Barack Obama topped the expenditure of all Presidential candidates till date by spending over $760 million – over double the $358 million spent by his Republican rival, John McCain. Another Presidential candidate, Hillary Clinton, spent about $244 million. Collectively, the candidates in the last US Presidential election spent close to $1.8 billion (nearly Rs 8,000 crore). The point is that the collection of the funds from 4.5 million supporters was publicly known. In India, nobody knows the source and amount of funding of politicians.

On May 5, Congress General Secretary Rahul Gandhi remarked at a press meet in Delhi that everybody knows there is Indian black money abroad and a solution has to be collectively worked out. But what about the black money circulating within the country in the quest for power, position and fame?

The Election Commission imposes a code of conduct, worked out with the consensus of political parties, that restricts use of vehicles, posters, public address systems and rallies. Admittedly, the Commission has succeeded in cleaning up the state of affairs to a considerable extent. But it is high time it ponders the facilities it allows to a candidate who has to reach the approximately 10 lakh voters in a Lok Sabha constituency, that too within 15-20 days.

Since an election can obviously not be fought within Rs 25 lakh, the Commission and the political parties should reach a consensus about a reasonable amount for Parliamentary and Assembly elections. We cannot be a mature and vibrant democracy when our elections are marked by non-disclosure and concealment of facts.g

Party worker, uncrowned PM

The heartwarming irony is that he aims to remove the importance of dynasty in Indian politics

by TR Ramachandran

RAHUL Gandhi, a fifth generation politician from the Nehru-Gandhi dynasty, has truly arrived on the political scene. Highly perceptive and a quick learner in the cut-throat world of politics, he has earned his spurs with his role in the leadership of the Congress paying rich dividends in the Lok Sabha elections.

Rajiv Gandhi was pitchforked into the nation's highest office overnight at the age of 40 but it is obvious that Rahul is in no hurry to become Prime Minister. He is more keen on restoring the Congress to its past glory and wants the party to govern on its own rather than being saddled with a disparate coalition. The Congress, which was in the vanguard of the freedom struggle and ruled the country for four-and-a-half decades, has witnessed steady erosion of its pan-India base with, among other factors, its traditional vote-bank of minorities, the poor and the oppressed migrating to what they believed were greener pastures under the patronage of regional satraps.

Rahul's mission is to put the Congress on a strong footing in UP and Bihar, which account for 120 seats in the Lok Sabha. Simultaneously, he wants to focus on Gujarat and see the back of the BJP's Narendra Modi as Chief Minister. Repeatedly asserting that he is not ready for the top job, he wants to build a strong second-rung leadership. He insists he has unfinished work which might take a few years. He wants to undertake an extended Bharat *yatra* to "rediscover" India and assimilate what its youth has to say. As for taking it one step at a time by becoming Congress president first, it seems that, like Indira Gandhi, he would prefer to hold both posts together. He became General Secretary of the Congress in 2007 and took charge of the Indian Youth Congress and its students wing, the National Students Union of India (NSUI).

His abiding characteristic is his outspokenness even if, at times, some politicians and political pundits detect an underlying political naivete. Yet the Congress leadership feels his press conferences all over the country have shown he is Prime Minister material. Sister Priyanka notes that he is not given the credit he truly deserves. She also recalls how Indira Gandhi doted on him.

His steely determination is reminiscent of Indira Gandhi. Rahul began planning for the 2009 election soon after the general election in 2004. Now, he has set his sights on the 2014 election. There is ample indication that if the Congress wins comfortably five years hence, he might become Prime Minister. Till then, he prefers to work for the youth and endeavour to transform the politics of this country. Part of the system in which the Congress is still led by a Gandhi, he is aware that his position in the party affords him certain privileges. He emphasizes that success in politics in this country depends on "who you know or are related to". "I want to change that system," he says, and the sincerity and humility are striking.

That is where Rahul believes he can play his most contributory role in galvanizing the Congress, involving the

Rahul: family background no matter

SHARAD SAXENA

youth – especially the meritorious – from all backgrounds. This energetic brigade will be in the forefront of bringing about a qualitative change in the political environment and giving impetus to development.

Part of the Congress' success in these elections was Rahul's calculated gambit to go it alone in Uttar Pradesh, jettisoning the Samajwadi Party which was upping its ante time and again. And the Congress won 21 seats out of the 80 in UP. He may not have created a storm in UP or set the Yamuna on fire in Delhi but this was the first time in 18 years since 1991 that the party was well ahead of its tally in the last general election. Its vote share has nearly doubled from 10 to 18 per cent. Voters also saw through Bahujan Samaj Party supremo Mayawati and Samajwadi Party chief Mulyam Singh Yadav pandering to Dalits and Muslims. The latter community found it was only being exploited for political gain and switched to the Congress. The Brahmins too left the BSP high and dry and threw their weight behind the Congress.

Perceived as a new ray of hope for the Congress, Rahul is endowed with charisma. The dimpled and bespectacled boy came to terms with grief at an early age, when his grandmother was killed. At 21, he faced another family tragedy – the assassination of his father. Schooled at his father's *alma mater*, Doon School, he did History honours at St Stephen's College. He attended Trinity College at Cambridge and has an MPhil in development economics. Before returning to India in 2002, he worked in a strategy consultancy firm.

Rahul has inherited his father's love of speed. He often travels 25 km out of Delhi to race a Yamaha R-1 on a specially built and camouflaged racing track. He is believed to be fond of Kawasaki Ninjas also.

The country's most eligible bachelor guards his privacy zealously. There is a veritable iron curtain around him. Even his friends and immediate family are unwilling to give out details about his personal life. It is said that his mother and sister are keen that he marry soon. But, just as he is in no hurry for Prime Ministership, neither is he for matrimony. g

The Rahul brigade

THE political group includes Congress General Secretary Digvijay Singh and economist-cum-politician Jairam Ramesh. Digvijay is embarrassed at being described as Rahul's political mentor. He says Rahul has a mind of his own.

Kanishka Singh, who came to Rahul's notice through a magazine article, is the son of SK Singh, Governor of Rajasthan and former Foreign Secretary. Sachin Rao is the son of an IAS officer. Kanishka studied at Wharton while Sachin went to Michigan Business School.

Meenakshi Natarajan, who became an MP from Mandsaur in Madhya Pradesh at Rahul's insistence, is an NSUI activist. She has a degree in biochemistry. Jitendra Singh is MP from Alwar and two-time Rajasthan MLA. Rahul sent him on a grinding tour of 17 states to change the image of the Youth Congress to a meritocracy. Filmmaker Pankaj Sharma made a documentary on the Gujarat riots. He oversees media-related matters.

Rahul's friends Milind Deora and Jitin Prasada organized informal workshops on politics. Jitin played a key role in UP. Veerappa Moily is believed to be close to Rahul.

Among those handpicked by Rahul to contest is PM Sayeed's son, law graduate Mohammad Humdullah Sayeed, MP from Lakshadweep, which his father represented for eight terms. Ravneet Singh Bittu, grandson of Punjab ex-CM Beant Singh, is MP from Anandpur Sahib. He was democratically elected president of the Punjab Pradesh Youth Congress. Vijay Inder Singla, MP from Sangrur, was instrumental in holding that democratic election. Jyoti Mirdha, MP from Nagaur in Rajasthan, is granddaughter of Congress veteran Nathuram Mirdha. Mausam Benazir Noor (Malda North) is the niece of ABA Ghani Khan Choudhury.

birthdays

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ASHOK CHAWLA
The 1973-batch IAS officer of the Gujarat cadre has been appointed Finance Secretary with additional charge of the Department of Financial Services.

HARISHANKAR BRAHMA
The 1975-batch IAS officer of the Andhra Pradesh cadre is now Secretary, Power in the Government of India.

JS SARMA
The 1971-batch IAS officer of the Andhra Pradesh cadre is now Chairman of the Telephone Regulatory Authority of India.

HARDEEP SRIVASTAVA
The 1974-batch IRS officer has been posted as Chief Commissioner of Income Tax-XII, Mumbai.

B MAJUMDAR
The 1973-batch IFS officer has taken over as Member, Maharashtra Administrative Tribunal.

RAJAT SAHA
The 1977-batch IFS officer is now Additional Secretary (Conferences) in the Ministry of External Affairs.

AK BASU
The 1974-batch IRS officer has been appointed Member, Central Board of Direct Taxes.

ANIL PRADHAN
The 1977-batch IPS officer of the Meghalaya cadre has taken over as Director General of Police of the state.

OM PRAKASH
The 1977-batch CSS officer is now Member Secretary in the National Pharmaceutical Pricing Authority.

RAHUL SARIN
The 1974-batch IAS officer of the Jharkhand cadre has been appointed Member Secretary of the Competitive Appellate Tribunal.

AK CHUGH
The 1974-batch IAS officer of the Jharkhand cadre is now Chairman of the Jharkhand Electricity Board.

VISHWARANJAN
The 1973-batch IPS officer of the Chhattisgarh cadre has become Director General of Police of the state.

PRAVEEN TRIPATHI
The 1973-batch IA&AS officer is now Member of the Competition Appellate Tribunal, Ministry of Corporate Affairs.

PM NAIR
The 1978-batch IPS officer of the Bihar cadre has been appointed Joint Director in the Central Bureau of Investigation.

PRAVEEN KUMAR SHRIVASTAVA
The 1980-batch IAS officer of the Manipur-Tripura cadre has joined the Archaeological Survey of India as Additional Director General.

DJ BHADRA
The 1982-batch IA&AS officer has been posted as Principal Accountant General (Audit), Jammu & Kashmir.

INDERJIT SINGH
The 1985-batch IAS officer of the Kerala cadre is now Joint Secretary in the Department of Higher Education.

PRAMOD TIWARI
The 1991-batch IAS officer of the Assam-Meghalaya cadre has become Director in the Department of School Education & Literacy.

PRAVEEN SINGH
The 1982-batch IPS officer of the Uttar Pradesh cadre has joined as Chief Vigilance Officer of the National Hydel Power Corporation.

NEENA SINGH PANDEY
The 1988-batch IRS officer is now Chief Vigilance Officer in the Khadi & Village Industries Commission, Mumbai.

ASHISH CHANDRA VERMA
The 1994-batch IAS officer of the Union Territory cadre is the new Registrar of Cooperative Societies in Delhi.

ISHITA ROY
The 1991-batch IAS officer of the Kerala cadre has been posted as Secretary, Finance in the state.

RS RANGARAJAN
The 1982-batch IA&AS officer has become Director General (Performance Audit) in the CAG's office.

ARCHANA ARORA
The 1983-batch IAS officer of the Union Territory cadre has been appointed Secretary, Education, Arts and Culture in the Delhi government.

MANOJ KUMAR PARIDA
The 1986-batch IAS officer of the Union Territory cadre is now Secretary, Services in the Delhi Government.

LEENA NAIR
The 1982-batch IAS officer of the Tamil Nadu cadre has taken charge as Chairman, Marine Products Exports Development Authority of the state.

A CHITTARANJAN MOHANDOSS
The 1995-batch IAS officer of the Tamil Nadu cadre is now Director of Tourism and Managing Director, Tamil Nadu Tourism Development Corporation.

RAKESH JAIN
The 1981-batch IA&AS officer has been appointed Joint Secretary and Financial Adviser in the Ministry of Power.

Moving On: ias and ips officers retiring in June 2009

ANDHRA PRADESH
G Narendranath (1983)

BIHAR
MN Prasad (1972)
V Jayashankar (1973)
KP Singh (1993)

CHHATTISGARH
Shiv K Tiwari (1993)

HARYANA
Surinder Monga (1985)

GUJARAT
Sudha Anchalia (1972)
Fernandez Leon (1973)
RL Meena (1975)

KERALA
PC Sanalkumar (1993)

MADHYA PRADESH
Pradip Bhargava (1973)
LS Baghel (1988)
Ganesh P Tiwari (1993)

ORISSA
Raj Kishore Jena (1993)

RAJASTHAN
Dheer Samant (1972)

TAMIL NADU
M Sathiyamoorthi (1980)

UTTARAKHAND
Girja Joshi (1973)

UTTAR PRADESH
Md Anis Ansari (1973)
Arvinda Mohan (1973)

ips

AGMUT
Kiran Bedi (1972)

ASSAM-MEGHALAYA
Birendra Rao (1974)

GUJARAT
RP Priyadarshee (1980)

PUNJAB
KK Attri (1971)

KARNATAKA
Dharmapal Negi (1978)

MAHARASHTRA
S Chakravorty (1972)
SM Sayed (1984)

MANIPUR-TRIPURA
JB Negi (1981)

Disadvantages of being Delhi Chief Minister

THE Home Ministry is the backbone of any Chief Minister for obvious reasons. But Delhi CM Sheila Dixit is bereft of this vital prop which vests with the Central government. Being the national

ILLUSTRATIONS: ARUNA

capital, Delhi is looked after by the Central government in every aspect: public transport, sanitation, pollution control and other infrastructural development. It is widely believed that Dixit has been getting false credit for the major development project conceived, funded and run by the Central government in the capital.

Now in her third consecutive term, she reportedly misses lording it over the police department and wishes it were with her. The Police Commissioner is least worried about her as it is the Chief Secretary who writes his conduct report!

Major's words on war

THE media-friendly Air Force chief, Air Chief Marshal Fali Homi Major, recently invited the capital's journos to dinner. And, to their pleasant surprise, he let them feel free to ask any question with one request: that the conversations were to be treated as off-the-record.

To a query on whether the Indian Air Force had been ready to launch air strikes against terrorist training centres in Pakistan following the Mumbai terror attack and what transpired between the Central government and the three Service Chiefs, he replied candidly that the matter was discussed threadbare. We were ready, he said. But the three chiefs sought clarifications from the government about the scope, coverage and duration of war. We did not consider a limited intervention feasible, he

said. Once into the war, it was to be taken to its logical conclusion. Having read the mind of the three chiefs, the government decided on a no-war policy.

Dadoo the Untouchable!

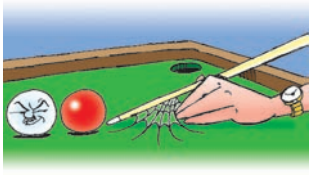
JITENDRA Kumar Dadoo, a 1983-batch IAS officer of the Union Territory cadre, is currently Secretary, Environment in the Delhi government and also Chairperson of the Delhi Pollution Control Committee (DPCC). He has reportedly usurped all the Constitutional powers of the DPCC's Member Secretary and is said to be more interested in bringing large malls and construction projects under the scanner for violation of

pollution norms than going after the real culprits – a large number of industries.

In a written order, he has apparently authorized a single member of his staff, understandably a favourite, to check pollution norms violation in all of Delhi. None dares to say anything. Since Member Secretaries cannot exercise their powers in the DPCC, they do not stay more than a couple of months. Dadoo, on the other hand, is unshakeable. While his reported proximity to a relative of Chief Minister Sheila Dixit was considered his strength in evading transfers, insiders reveal a different story. No department wants to take him in. This is why he was left out yet again in the recent reshuffle of the Delhi government bureaucracy.

NC versus IC in Kathmandu

WHAT made Nepal's Maoist Premier, Pushpa Kamal Dahal or Prachanda blame "foreign intervention" for its domestic problems? For decades, India has been generous in helping Nepal with aid. The value of one Indian rupee is over one-and-a-half Nepali rupees. This means that, for every Indian rupee, Nepal receives more than one-and-a-half rupees in its own currency. However, when Shiv Shanker Mukherjee was Indian High Commissioner in Kathmandu, the word was that the actual equivalent of Nepali rupees was being paid by India in IC (Indian Currency). However, after Rakesh Sood, an IFS officer of the 1976 batch, replaced Mukherjee last



year, everyone is in the dark as to what is being paid by India. It was only after Prachanda talked about foreign intervention that the Maoists and the Nepali Congress both took up the issue with the public and the government. Will South Block wake up and clear the air? g

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